

RECORDATION NO. 29586-A FILED

JUL 26 '11 -3 00 PM

SURFACE TRANSPORTATION BOARD

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ELIAS C. ALVORD (1942)
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July 26, 2011

Chief
Section of Administration
Office of Proceedings
Surface Transportation Board
395 "E" Street, S.W.
Washington, D C 20423

Dear Section Chief

Enclosed for recordation pursuant to the provisions of 49 U S C Section 11301(a) are two (2) copies of an Amended and Restated Security Agreement, dated as of July 26, 2011, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the Security Agreement previously filed with the Board under Recordation Number 29586.

The names and addresses of the parties to the enclosed document are:

Secured Party: Key Government Finance, Inc.
1000 S. McCaslin Blvd
Superior, CO 80027

Debtor. Alaska Railroad Corporation
327 West Ship Creek Avenue
Anchorage, Alaska 99501

Chief, Section of Administration
July 26, 2011
Page 2

A description of the railroad equipment covered by the enclosed document is:

20 locomotives: ARR 4001 - ARR 4012 and ARR 4317 - ARR 4324; and
70 hopper cars. ARR 16800 - ARR 16869.

A short summary of the document to appear in the index is:

Amended and Restated Security Agreement.

Also enclosed is a check in the amount of \$41.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Robert W. Alvord', with a stylized, flowing script.

Robert W. Alvord

RWA/sem
Enclosures

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT (this "Agreement") dated as of July 26, 2011, between Alaska Railroad Corporation ("Debtor") and Key Government Finance, Inc. ("Secured Party") amends and restates in its entirety the Security Agreement, dated as of December 31, 2010, between Debtor and Secured Party

RECITALS:

WHEREAS, Debtor in that certain Master Tax-Exempt Installment Purchase Agreement, dated July 9, 2003 (the "Master Agreement"), between Secured Party and Debtor, the Property Schedule No. 04, with a commencement date of December 31, 2010, and the Property Schedule No. 05, with a commencement date of July 26, 2011, pursuant to said Master Agreement (Property Schedules No. 04 and 05 being collectively referred to herein as the "Property Schedule") granted to Secured Party a security interest in certain property to secure Debtor's obligation under the Master Agreement, the Property Schedule and any future property schedules executed by the parties pursuant to the Master Agreement, (the Master Agreement, the Property Schedule and any future property schedules being hereinafter referred to herein as the "Master Contract"),

AGREEMENT:

NOW, THEREFORE, in consideration of the agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions

(a) Collateral. The property subject to this Agreement (the "Collateral") shall consist of the following personal property of Debtor, wherever located:

(i) the locomotives with Serial / Road Numbers as follows

20036536-001 / ARR4317
20036536-002 / ARR4318
20036536-003 / ARR4319
20036536-004 / ARR4320
20036536-005 / ARR4321
20036536-006 / ARR4322
20036536-007 / ARR4323
20036536-008 / ARR4324
976819-1 / ARR4001
976819-2 / ARR4002
976819-3 / ARR4003
976819-4 / ARR4004
976819-5 / ARR4005
976819-6 / ARR4006
976819-7 / ARR4007
976819-8 / ARR4008
976819-9 / ARR4009
976819-10 / ARR4010
976819-11 / ARR4011
976819-12 / ARR4012, and

RECORDATION NO. 29586 - A FILED

JUL 26 '11 -3 00 PM

SURFACE TRANSPORTATION BOARD

(ii) the following hopper rail cars with identifying numbers as follows

ARR 16800	ARR 16835
ARR 16801	ARR 16836
ARR 16802	ARR 16837
ARR 16803	ARR 16838

ARR 16804	ARR 16839
ARR 16805	ARR 16840
ARR 16806	ARR 16841
ARR 16807	ARR 16842
ARR 16808	ARR 16843
ARR 16809	ARR 16844
ARR 16810	ARR 16845
ARR 16811	ARR 16846
ARR 16812	ARR 16847
ARR 16813	ARR 16848
ARR 16814	ARR 16849
ARR 16815	ARR 16850
ARR 16816	ARR 16851
ARR 16817	ARR 16852
ARR 16818	ARR 16853
ARR 16819	ARR 16854
ARR 16820	ARR 16855
ARR 16821	ARR 16856
ARR 16822	ARR 16857
ARR 16823	ARR 16858
ARR 16824	ARR 16859
ARR 16825	ARR 16860
ARR 16826	ARR 16861
ARR 16827	ARR 16862
ARR 16828	ARR 16863
ARR 16829	ARR 16864
ARR 16830	ARR 16865
ARR 16831	ARR 16866
ARR 16832	ARR 16867
ARR 16833	ARR 16868
ARR 16834	ARR 16869

(iii) all replacements, repairs, restorations, modifications and improvements thereof or thereto, and the proceeds and products of the foregoing, including insurance proceeds

(b) Obligations This Agreement secures the following (the "Obligations")

(i) Debtor's obligation to pay the Installment Payments under the Master Contract, and all other payment obligations under the Master Contract;

(ii) The repayment of (A) any amounts that Secured Party may advance or spend for the maintenance or preservation of the Collateral and (B) any other expenditures that Secured Party may make under the provisions of this Agreement or for the benefit of Debtor;

(iii) All amounts owed under any modification, renewals or extensions of any of the foregoing obligations,

(iv) Any of the foregoing that arises after the filing of a petition by or against Debtor under the Bankruptcy Code, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise

(c) UCC Any term used in the Alaska Uniform Commercial Code ("UCC") and not defined in this Agreement shall have the meaning given to the term in the UCC.

Section 2. Grant of Security Interest Debtor grants a security interest in the Collateral to Secured Party to secure the payment and performance of the Obligations.

Section 3. Perfection of Security Interests

(a) Filing of a Financing Statement Debtor authorizes Secured Party to file a financing statement (the "Financing Statement") describing the Collateral.

(b) Filing of this Agreement with the Federal Surface Transportation Board Debtor authorizes Secured Party to file an executed copy of this Agreement with the Federal Surface Transportation Board (FSTB) to perfect the security interest in the Collateral. Debtor shall pay all costs of such filing, including cost of lien searches of the records of the FSTB with respect to the Collateral

Section 4. Covenants and Rights Concerning the Collateral Debtor covenants and agrees with Secured Party as follows

(a) Inspection Secured Party may inspect any Collateral in Debtor's possession, at any time during normal business hours of Debtor, upon reasonable notice

(b) Risk of Loss Debtor has the risk of loss of the Collateral Secured Party has no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral

(c) No Disposition Secured Party does not authorize, and Debtor agrees not to make any sales, leases or other transfers of any of the Collateral or grant any other security interest in any of the Collateral.

(d) Insurance At its own expense, Debtor shall maintain (a) casualty insurance insuring the Collateral against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State of Alaska for rolling stock such as the Collateral, and any other risks reasonably required by Secured Party in an amount equal to at least the outstanding principal component of Installment Payments under the Property Schedule, and (b) liability insurance that protects Secured Party from liability in all events in an amount reasonably acceptable to Secured Party, and (c) worker's compensation insurance covering all employees working on, in, near or about the Collateral; provided that Debtor may self insure against all such risks All insurance proceeds from casualty losses shall be payable as hereinafter provided in this Agreement All such insurance shall be with insurers that are authorized to issue such insurance in the State of Alaska All such liability insurance shall name Secured Party as an additional insured. All such casualty insurance shall contain a provision making any losses payable to Secured Party and Debtor as their respective interests may appear. All such insurance shall contain a provision to the effect that such insurance shall not be canceled or modified without first giving written notice thereof to Secured Party and Debtor at least thirty (30) days in advance of such cancellation or modification. Such changes shall not become effective without Secured Party's prior written consent. Debtor shall furnish to Secured Party, on or before the Commencement Date for the Property Schedule, and thereafter at Secured Party's request, certificates evidencing such coverage, or, if and to the extent that Debtor self-insures, a written description of its self-insurance program together with a certification from Debtor's risk manager or insurance agent or consultant to the effect that Debtor's self-insurance program provides adequate coverage against the risks listed above

(e) Liens, Maintenance Except where it has received the prior written consent of Secured Party, Debtor shall keep the Collateral free from any adverse liens, security interests or encumbrances, and in good order and repair and shall not commit or permit waste or destruction of the Collateral or any portion thereof Debtor will not use or permit anyone to use the Collateral in violation of any federal or state statute, ordinance, or state or federal regulation

(f) Payment of Obligations Debtor will pay or cause to be paid promptly when due all taxes and assessments upon the Collateral

(g) Payment Following the occurrence of an Event of Default, or following the occurrence of an event which, with the passage of time or the giving of notice (or both), would be an Event of Default, Secured Party, at its option, may discharge taxes, liens, or security interests or other encumbrances at any time levied or placed on the Collateral, and may pay for insurance on the Collateral and may pay for the maintenance and preservation of the Collateral and all such payments shall become a part of Debtor's obligation secured hereby, payable on demand, with

interest as an Advance under Section 8 04 of the Master Contract from the date of demand until paid. Such right shall be in addition to any other rights or any remedies to which Secured Party may be entitled on account of Debtor's default

Section 5. Representations and Warranties Debtor represents and warrants to Secured Party that:

(a) Title It has rights in the Collateral, and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Agreement.

(b) Location of Collateral All Collateral will be located solely in the State of Alaska

(c) Location of Debtor Debtor's chief executive office is located in the State of Alaska.

Section 6. Debtor's Covenants Until the Obligations have been paid and performed in full, Debtor agrees that it will comply with the following covenants:

(a) Notice of Default Immediately upon obtaining knowledge of the occurrence of any event which constitutes an Event of Default, or which with notice or lapse of time, or both, would constitute an Event of Default, Debtor shall give written notice thereof to Secured Party, together with a detailed statement of the steps being taken by Debtor to cure such Event of Default

(b) Notice of Litigation Debtor shall promptly notify Secured Party in writing of the initiation of any litigation against Debtor which in Debtor's good-faith judgment might materially and adversely affect the operations, financial condition, property or business of Debtor

(c) Accounts and Reports. Debtor shall keep true and accurate records and books of account in which full, true and correct entries shall be made of all dealings or transactions in relation to its business and affairs in accordance with generally accepted accounting principles applied on a consistent basis.

Section 7 Default

(a) Event of Default An Event of Default shall be as defined in the Master Contract For purposes of Section 13 01(a) of the Master Contract, Event of Default under Section 13 01(a) shall include a failure to pay a payment as required under this Agreement; for purposes of Section 13.01(b) of the Master Contract, Event of Default under Section 13 01(b) shall include failure by Debtor to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement, and for purposes of Section 13 01(c) of the Master Contract, Event of Default under Section 13 01(c) shall include any statement, representation or warranty made by Debtor in or pursuant to this Agreement or its execution, delivery or performance shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made.

(b) Remedies Upon Default Upon any Event of Default, Secured Party may pursue any remedy available at law (including those available under the provisions of the UCC), or in equity, to collect, enforce or satisfy any Obligations then owing. Without limiting the foregoing, upon any Event of Default, Secured Party shall have the right to pursue any of the following remedies separately, successively or simultaneously:

(i) File suit and obtain judgment and, in connection with any action, Secured Party may seek any ancillary remedies provided by law, including levy of attachment and garnishment.

(ii) Take possession of any Collateral if not already in its possession without demand and without legal process Upon Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as Secured Party directs Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where the Collateral may be located

(iii) Without taking possession, sell, lease or otherwise dispose of the Collateral at a public or private sale in accordance with the UCC

(iv) Such other Remedies as set forth in Section 13 02 of the Master Contract

Section 8. Default Costs. Should an Event of Default occur, Debtor will pay to Secured Party all costs reasonably incurred by the Secured Party for the purpose of enforcing their rights hereunder as set forth in the Master Contract.

Section 9. Foreclosure Procedures.

(a) No Waiver No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default shall: (i) impair any right or remedy, (ii) waive any default, (iii) operate as an acquiescence to the Event of Default, or (iv) affect any subsequent default of the same or a different nature

(b) Notices Secured Party shall give Debtor such notice of any private or public sale as may be required by the UCC.

(c) Condition of Collateral Secured Party has no obligation to clean-up or otherwise prepare the Collateral for sale.

(d) No Obligation to Pursue Others. Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and Secured Party may release, modify or waive any collateral provided by any other person to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any third person for any of the Obligations

(e) Compliance with Other Laws. Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral

(f) Warranties. Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral

(g) Sales on Credit. If Secured Party sells any portion of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of Debtor. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds of the sale.

(h) Purchases by Secured Party. In the event Secured Party purchase any of the Collateral being sold, Secured Party may pay for the Collateral by crediting some or all of the Obligations of the Debtor

(i) No Marshaling Secured Party shall have no obligation to marshal any assets in favor of Debtor, or against or in payment of the Obligations, or any other obligation owed to Secured Party by Debtor or any other person

Section 10. Termination of Security Agreement and Release of Security Interest Upon the payment and performance in full of all the Obligations, this Security Agreement will terminate and Secured Party shall take such actions as Debtor reasonably requests to terminate the security interest granted hereunder. Collateral may be released from the security interest granted hereunder, upon the following conditions:

(i) the remaining Collateral under this Security Agreement will have an appraised value as determined by a third party appraiser of locomotives satisfactory to Secured Party equal or greater than 120% of the principal amount of obligations outstanding under the Master Contract, such appraisal shall be in the form of a written report customary for appraisals of locomotives,

(ii) Debtor agrees to pay all costs and expenses associated with the release of said Collateral, including the appraisal, drafting of documents, lien searches, lien release and Secured Party's reasonable legal expenses;

(iii) an opinion of tax counsel reasonably acceptable to Secured Party that the release of the Collateral will not materially impact the tax-exempt nature of interest payments related under the Master Contract

Section 11. General

(a) Successors and Assigns. This Agreement and all rights and liabilities hereunder and in and to any and all obligations secured hereby and in and to all Collateral shall inure to the benefit of the Secured Party and its successors and assigns and shall be binding upon Debtor and its successors and assigns. This Agreement shall bind all persons who become bound as a debtor to this Agreement. Secured Party does not consent to any assignment by Debtor except as expressly provided in this Agreement.

(b) Severability. Should any one or more provisions of this Agreement be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

(c) Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Alaska

(d) Rules of Construction. No reference to "proceeds" in this Agreement authorizes any sale, transfer or other disposition of Collateral by Debtor. "Includes" and "including" are not limiting. "Or" is not exclusive. "All" includes "any" and "any" includes "all."

(e) Headings. Section headings used in this Agreement are for convenience only. They are not a part of this Agreement and shall not be used in construing it.

(f) Integration. This Agreement is the entire agreement of Debtor and Secured Party concerning its subject matter. Any modification to this Agreement must be made in writing and signed by the party to be bound.

(g) Waiver. Any party to this Agreement may waive the enforcement of any provision to the extent the provision is for its benefit. All waivers must be in writing.

(h) Waiver of Jury Trials. Debtor and Secured Party hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of Secured Party or Debtor in the negotiation, administration, performance or enforcement hereof.

(i) Further Assurances. Debtor agrees to execute any further documents, and to take further actions, reasonably requested by Secured Party to evidence or perfect the security interest granted herein, to maintain the first priority of the security interests, or to effectuate the rights granted to Secured Party herein.

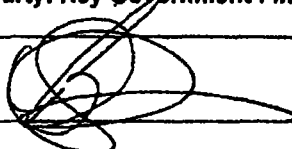
[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first mentioned above

Secured Party: Key Government Finance, Inc.	Debtor: Alaska Railroad Corporation
By	By. <i>Christopher Adnesen</i>
Name	Name: <i>CHRISTOPHER ADNESEN</i>
Title	Title: <i>President and CEO</i>

[Notary pages follow.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first mentioned above

Secured Party: Key Government Finance, Inc.	
By	
Name	BRIAN D. DePONTE
	Senior Operations Manager
Title	

Debtor: Alaska Railroad Corporation	
By	
Name	
Title	

[Notary pages follow.]